

SUMMARY ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Monteith Analyst: Roger Lackey Bill Number: SB 1553

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 03-28-2000

Attorney: Patrick Kusiak Sponsor:

SUBJECT: Sales Or Use Tax Paid For Agriculture Equipment Credit

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

X AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

X AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced February 17, 2000.

X FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

X REMAINDER OF PREVIOUS ANALYSIS OF BILL AS INTRODUCED February 17, 2000, STILL APPLIES.

OTHER - See comments below.

SUMMARY OF BILL

This bill would provide a credit equal to the sales or use tax paid or incurred during the taxable or income year for agricultural equipment (as defined).

SUMMARY OF AMENDMENT

The March 28, 2000 amendments would add equipment used in winegrower operations to the meaning of "agricultural equipment."

As a result of the term "winegrower operations," an additional implementation concern has been included below. In addition, the earlier implementation concerns provided in the department's previous analysis have been provided below for convenience.

Except for the discussion of this analysis, the department's analysis of SB 1553 as introduced February 17, 2000, still applies.

Implementation Considerations

It is unclear what the term "winegrower operations" is intended to cover. "Winegrower operations" could be the vineyard in which the grapes are grown or a business at which the wine is produced and bottled. This term should be clarified.

This bill does not limit the eligibility of the credit to the taxpayer that incurred or paid the sales or use tax or require that the taxpayer be engaged in an agricultural activity. To ensure proper interpretation, this bill should state that the credit is allowed to a "qualified taxpayer" and specifically define that term to include only those to whom the credit is intended.

Board Position:

<u> </u> S	<u> </u> NA	<u> </u> NP
<u> </u> SA	<u> </u> O	<u> </u> NAR
<u> </u> N	<u> </u> OUA	<u> </u> X PENDING

Legislative Director

Date

Johnnie Lou Rosas

3/31/00

Since this bill would permit unlimited credit carryover, the department would be required to retain the carryover credit on the tax forms indefinitely. Recent credits provide carryover limits because experience shows credits are typically used within eight years of being earned. Once the implementation concerns are resolved, implementing this bill would not significantly impact the department's programs and operations.

Tax Revenue Estimate

No change to prior revenue estimate.

This amendment does not affect the prior estimate. Implements of husbandry, as defined in Section 411, include any tool machine, equipment, appliance, device or apparatus used in the conduct of agricultural operations." This section does not limit either the type of equipment or the kind of agricultural operation. The prior estimate, therefore, takes into account all types of equipment purchased by all kinds of agricultural entities.

BOARD POSITION

Pending.